Fall 2010 Farmland Values Report

Welcome to Farm Credit Canada's Fall 2010 Farmland Values Report.

This report covers the period from January 1 to June 30, 2010.

Introduction

As Canada's leading agriculture lender, FCC is advancing the business of agriculture. With a healthy portfolio of more than $19.7 billion and 17 consecutive years of portfolio growth, FCC is strong and stable – committed to serving the industry through all cycles. FCC provides financing, insurance, software, learning programs and other business services to producers, agribusinesses and agri-food operations. FCC employees are passionate about agriculture and committed to the success of customers and the industry.

FCC understands the value of having access to solid market value information when making management decisions. That's why twice a year, FCC compiles and releases the Farmland Values Report, which highlights average changes in land values in each province and nationally.

Each year, a report is released in the spring, describing changes from July 1 to December 31. A second report, released in the fall, identifies changes from January 1 to June 30.

back to top

Methodology

In 1985, FCC established a system of 245 benchmark farm properties to monitor variations in bare land values across Canada.

Since 1990, benchmark properties have been appraised semi-annually in January and July. These selected parcels represent the most prevalent classes of agriculture soil in each census district. Changes in value are weighted based on improved farmland per area.

FCC appraisers estimate market value using recent comparable sales. These sales must be arm's-length transactions. Once sales are selected, they are reviewed, analyzed and adjusted to the benchmark properties.

back to top

National trend

The average value of Canadian farmland increased 3.0 per cent during the first six months of 2010, following increases of 3.6 and 2.9 per cent in the previous two reporting periods.

Farmland values remained stable or increased in all provinces except British Columbia, which saw a 0.9 per cent decrease. Ontario experienced the highest average increase at 4.3 per cent, followed by Manitoba at 3.4 per cent and Nova Scotia at 3.1 per cent.

Saskatchewan and Alberta each saw 2.9 per cent growth. Quebec (2.3 per cent) and Newfoundland and Labrador (0.7 per cent) rounded out the list of provinces that experienced a rise in farmland values.

Values were unchanged in New Brunswick and Prince Edward Island.

back to top

Graph: Canada Semi-annual % change in farmland values (Brand)

Graph provincial comparison of farmland values (Brand)
Semi-annual % change in farmland values
January 1, 2010 to June 30, 2010

Graph % Change in farmland values (Brand)

Alberta

Alberta farmland values increased an average of 2.9 per cent during the first half of 2010, following gains of 3.8 and 1.0 per cent in the two previous reporting periods.

Values increased by an average of 0.4 per cent per month between January 1 and June 30, 2010, which mirrored the same average monthly increase during 2009. Farmland values in Alberta have been rising since 1993.

The more modest increase during the first six months of 2010 compared with the last six months of 2009 was due in large part to slowing urban sprawl, coupled with a decrease in the amount of land purchased by speculative interests.

Southern Alberta experienced steady demand from large landholders looking to expand operations in traditional dry land areas. Irrigation land remained in high demand, with land suitable for specialty crops driving the market.

In central Alberta, the transfer of family farms between generations was a main driver of land values. A decrease in the expansion of large land holdings and continuing challenges in the beef and hog industries contributed to a more moderate increase in land values compared to the previous period.

In northern Alberta, increases in land values also slowed compared to previous reporting periods. Competition for farmland near urban areas slowed, which caused a moderation in the rate of change of land prices. Demand for property in the Fort McMurray and Athabasca/Conklin regions decreased, also helping to stem the tide of rising land values.

British Columbia

British Columbia was the only province to see a decrease in farmland values by an average of 0.9 per cent over the first six months of 2010. Values were unchanged in the previous reporting period and decreased 0.7 per cent in the first half of 2009.

In the first six months of 2010, economic factors largely external to agriculture had the greatest influence on farmland values. Economic uncertainty and the high Canadian dollar hindered investment in many sectors. This, in turn, led to lower demand for land and less expansion of existing operations.

Overall, the B.C. land market was relatively flat during the first six months of 2010, with slight decreases in the Abbotsford, Clinton and Cloverdale regions. Sales of land for agriculture purposes were limited in some areas of the province. The majority of sales were for part-time farming uses.

The areas of the province to see slightly increased land values during the reporting period were Vanderhoof and Horsefly.

Manitoba

Manitoba farmland values increased an average of 3.4 per cent during the first half of 2010, following gains of 5.9 and 5.5 per cent in the two previous reporting periods.

In the first six months of 2010, the increase in values was observed mainly in the grain and special crop areas of the province. Strong commodity prices last fall, decreased fertilizer prices and continued low borrowing rates contributed to strong land prices during the reporting period. Significant interest in expansion among Manitoba producers helped to increase land values. Land was seen as a relatively safe investment.

The Interlake (northeast part of Manitoba) and beef-producing areas (north central, southeast and southwest) saw limited or no increase in farmland values. This was due mainly to weather conditions, ranging from too wet in the Interlake for the third consecutive year to too dry in the southwest. Acres of unused pasture were available in the Interlake region. Farmland parcels that were open and well-fenced, commanded premium prices.

The continued depopulation of the hog industry contributed to land sales in the southeast. While increases were lower than in previous reporting periods, demand remained steady as dairy farmers sought more land for nutrient management purposes.

New Brunswick

New Brunswick farmland values were unchanged during the first half of 2010, following gains of 2.5 and 5.6 per cent in the two previous reporting periods.

Values have stabilized since reaching a peak increase of 6.3 per cent in the last half of 2008.

In the first six months of 2010, land values were affected by a combination of low potato prices and a decrease in processing contract volumes. Prices were depressed because of poor quality in the local harvest and a potato surplus in the United States.

No land sales were recorded in Madawaska county, while Carleton and Kings counties saw only minimal activity during the reporting period.

The dairy industry continued to be the main driver of land sales within Kings County, with some urban sprawl due to the recent expansion of a major potash mine.

Newfoundland and Labrador

Newfoundland and Labrador farmland values increased 0.7 per cent over the first six months of 2010, following no change in the last half of 2009 and a 2.8 per cent increase in the first half of 2009.

Sales activity from January 1 to June 30, 2010 was minimal and was confined to the eastern part of the province.

Dairy and poultry operations continued to be the main drivers of farmland demand. The trend to larger dairy herds fueled a need for more forage land. The availability of land was limited, with agriculture buyers competing with the forces of urban sprawl from St. John's.

Nova Scotia

Nova Scotia farmland values increased an average of 3.1 per cent during the first half of 2010, following gains of 1.4 and 4.2 per cent in the two previous reporting periods.

Values increased by an average of 0.5 per cent per month between January 1, 2009 and June 30, 2010. Since 2001, farmland values in Nova Scotia have remained stable or have risen.

Cash croppers, vineyards, berry growers, apple producers and livestock operators all contributed to increased farmland values in the Kentville area during the 2010 reporting period. Part-time farmers also contributed to the increase.

Dairy operations continued to be the main source of farmland demand in the Antigonish and Truro areas. The trend to larger herds increased the need for the limited supply of forage land. The Truro-Halifax corridor saw the pressure of urban sprawl on available agricultural land. Location and quality were major influences impacting the value of farmland.

Ontario

At 4.3 per cent, Ontario experienced the largest provincial increase in farmland values during the first half of 2010. The two previous reporting periods posted gains of 3.3 and 2.8 per cent respectively.

Stable to upward trends were noted across the province. Southwestern Ontario saw the most significant increases, notably in the counties of Brant, Kent, Essex, Huron, Perth, Oxford, Wellington and Waterloo. Northern, southern and eastern areas of the province experienced minimal changes in land values. Cash crop operations continued to contribute to strong demand for workable land. Land rental rates remained high, as landlords capitalized on the potential of cash crop revenues.

The strong demand for land in the southwest was fuelled by dairy farmers. With restrictions placed on the purchase of dairy quota, farmers purchased additional land instead of quota.

Intensive livestock operations continued to seek land for expansion and to satisfy nutrient management program requirements. In Huron County, these demands were coupled with immigrating European farmers who paid above-average prices for properties.

In Perth, Wellington and Waterloo counties, the expansion of large multi-generational operations created increased demand for land. Pent-up demand for land in the Chatham and Essex areas saw farmers and investors competing for available property, driving up land prices. Significant increases in Brant County were due to higher demands from various producers including vegetable and ginseng growers.

The northern, southern and eastern parts of Ontario saw limited land sale activity during the reporting period. Land and property sales were sluggish. Agriculture land sales were stable and changes in land values were minimal.

Prince Edward Island

Prince Edward Island farmland values remained stable over the first six months of 2010, as they did in the last half of 2009. Values decreased 1.4 per cent during the first half of 2009.

Values have either shown no change or have decreased in Prince Edward Island during every semi-annual reporting period since the last half of 2003.

In 2010, good quality farmland in the Summerside area continued to command high prices, despite ongoing challenges facing the beef and potato sectors. Purchasers carefully chose parcels that fit with their cropping programs. Several potato storage construction projects were underway during the reporting period.

Demand for crop land in the Charlottetown area remained flat throughout the reporting period. While potato producers acquired some land, smaller parcels unsuitable for the use of potato equipment usually sold to non-agricultural buyers.

Quebec

Quebec farmland values increased an average of 2.3 per cent during the first half of 2010, following gains of 1.3 and 4.3 per cent in the two previous reporting periods.

Farmland values in Quebec have remained stable or have risen since FCC began reporting farmland values in 1984. Since then, Quebec is the only province that has not experienced a decrease in its average farmland values.

The Quebec farmland market continued to be relatively stable in 2010, with the largest growth in the southwestern part of the province. In the Montérégie area, crop and livestock operations competed for available land, which drove up prices. Increases in the Beauharnois area were generated by purchases of good quality land for crop production.

The Lévis and Beauce-Frontenac areas also saw increases in farmland values. Other areas of the province recorded limited or no increases.

Saskatchewan

Saskatchewan farmland values increased an average of 2.9 per cent during the first half of 2010, down slightly from the 3.4 per cent increases in each of the two previous reporting periods.

Values across the province showed a stable to upward trend, with nominal decreases in the southwest and nominal increases in other areas of the province.

In the northeast, land values remained stable following several increases. This was due primarily to the difficult and prolonged 2009 harvest. Strong demand was evident for better quality land that continued to be viewed as a good investment. While low interest rates were a factor, activity was tempered by concerns over the potential for future interest rate hikes.

Land values remained strong in southeast Saskatchewan throughout the reporting period. Quality yields and producers' ability to complete the 2009 harvest in a timely manner kept pressure on land market activity. Good quality heavy clay soil continued to attract premium prices.

The northwest area of the province experienced good crop yields and an earlier harvest than other areas. A substantial drop in fertilizer prices leading up to spring 2010 planting also helped maintain interest in land sales. Heavy clay soils in lentil producing regions continued to command superior prices. Strong oil sector activity also contributed to demand.

In both the northwest and southeast, land value increases were tempered by several factors; ongoing challenges for cattle producers, softening commodity prices early in the reporting period, producers carrying over crop input costs from 2009 and dry conditions in some areas.

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back to top